



March 19, 2019

Item No. 3

AUTHORIZATION TO PURCHASE INSURANCE COVERAGE FOR PROPERTY MANAGERS INSURANCE PROGRAM (PMIP).

Presenters: **Scott A. White, Director, Risk Management**
 Michael Moran, Chief Financial Officer

RECOMMENDATION

It is recommended that the Board of Commissioners of the Chicago Housing Authority authorize the Chief Executive Officer or his designee to purchase insurance coverage for CHA's Property Managers Insurance Program ("PMIP") through its insurance broker of record, Arthur J Gallagher & Company ("AJG"), for the period of April 1, 2019 through March 31, 2020 for an aggregate amount of \$894,992.00, based on a fixed-rate contract, as follows: (1) Primary General Liability coverage written through First Specialty/Swiss Re American Holding in an amount of \$445,712.00; (2) Umbrella Liability coverage written through General Star Indemnity Company in an amount of \$341,280.00; and (3) Excess Liability written through Allied Word Assurance Company ("AWAC") in an amount of \$108,000.00.

The requested action in this item complies in all material respects with all federal, state, and local laws and Chicago Housing Authority ("CHA" or "Authority") board policies. Staff have completed all necessary due diligence to support the submission of this initiative.

FUNDING

Moving-To-Work funds

BACKGROUND

The Property Managers Insurance Program (PMIP) was created in 1999 to provide liability protection for the Authority and its property management firms. The PMIP is defined as an 'Owner Controlled Insurance Program' (OCIP). By purchasing insurance to cover certain liabilities associated with the management of the portfolio, which exceed \$250,000.00 per claim, the owner/Authority can manage claims and expenses within the self-insured layer (SIR) while maintaining consistent coverage for itself and each Property Manager, even when management firms or insurers transition.

PROCUREMENT PROCESS

The Authority utilizes a commercial insurance brokerage firm to place all Property & Casualty insurance coverages, because insurance products can only be procured or purchased through a licensed insurance broker. In 2001 the CHA received an exemption from HUD allowing it to purchase insurance through a licensed insurance broker.

This is the fourth PMIP insurance placement conducted by Arthur J Gallagher, the CHA's current broker of record. The process included submitting insurance specifications, claims data, and resident

demographics to underwriters to formulate pricing for insurance coverage. The specifications were submitted to 44 insurers, some of which quoted multiple lines of coverage. The results are as follows:

Line of Coverage	Quotes Solicited	Insurers Quoted
General Liability - \$250K SIR	20	1
General Liability – First Dollar	11	0
Lead Excess & Excess Liability	29	3
Total	60	4

COVERAGE STRUCTURE

The aggregate limit of coverage in place at the CHA, \$22 million, is constructed using three different layers of coverage: (1) primary General Liability up to \$2 million; (2) Lead Excess Liability, which provides coverage in the \$2 million – \$12 million layer; and (3) Excess Liability, which provides coverage for the \$12 million - \$22 million layer.

By purchasing insurance, the Authority and its Property Managers are granted coverage for certain liabilities associated with the operation of the portfolio that exceed \$250,000.00.

Life-safety improvements in senior hi-rises have made underwriters feel more comfortable with CHA's risk, and in 2010 lowered its SIR from \$750,000 to \$250,000. The Authority faces a \$250,000 self-insured retention (SIR), or 'deductible', for each and every occurrence, claim or lawsuit filed against the CHA and/or its Property Manager(s). The SIR is commonly referred to as the "operating layer" within which most incurred losses are placed. Insurers will not entertain coverage at a lower deductible, due to adverse underwriting characteristics, including: habitational, public housing, Cook County / Chicago legal venues. PMIP coverage provides protection for large claims above the SIR; claims below the SIR of \$250,000.00 per claim will not be paid by the proposed insurer.

Respectfully Submitted:

Michael Moran
Chief Financial Officer

RESOLUTION NO. 2019-CHA-

WHEREAS, the Board of Commissioners of the Chicago Housing Authority has reviewed the Board letter dated March 19, 2019 entitled: **AUTHORIZATION TO PURCHASE INSURANCE COVERAGE FOR PROPERTY MANAGERS INSURANCE PROGRAM (PMIP).**

THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY:

THAT, the Board of Commissioners authorizes the Chief Executive Officer or his designee to purchase the insurance coverage for CHA's Property Managers Insurance Program ("PMIP") through its insurance broker of record, Arthur J Gallagher & Company ("AJG"), for the period of April 1, 2019 through March 31, 2020 for an aggregate amount of \$894,992.00 based on a fixed-rate contract as follows: : (1) Primary General Liability coverage written through First Specialty/Swiss Re American Holding in an amount of \$445,712.00; (2) Umbrella Liability coverage written through General Star Indemnity Company in an amount of \$341,280.00; and (3) Excess Liability written through Allied Word Assurance Company ("AWAC") in an amount of \$108,000.00.

This award is not subject to the Vendor's (broker) compliance with the CHA's MBE/WBE/DBE/ Section 3 hiring and insurance requirements.

Eugene E. Jones, Jr.
Chief Executive Officer
Chicago Housing Authority